Development (1948) Department

I/15 SERIES

G.O. No	3847
Dated	20-7-48

[Despatch Abstract.]

ACTS AND RULES - Madras Purchasers Act, 1943 -

[illegible] to amend the Act

MEMORANDUM SUBMITTED BY THE WORKING COMMITTEE OF THE MALABAR PRIVATE BANKERS ASSOCIATION.

To

The Hon'ble the Minister for Agriculture

1. The Malabar Private Bankers' Association seeks to represent more than 600 private Bankers spread throughout the district of Malabar. The only business which most of them do is to advance money on pledge of gold jewels, normally at 12 % interest. They keep regular accounts, vouchers and registers besides issuing tickets to pawners evidencing the pledge. The working of these Banks has never been the subject of any public grievances. In the absnece of any easy system of rural credit these Banks serve a useful purpose in the rural economy. They generally enable the agriculturalists to find money to buy cattle or seed. They are also helpful to the petty trader and other urban classes living on low emoluments. In the absence of these banks these poor classes will fall a prey to usurers, who can find many methods to evade the provisions of law. In fact the menace of the Marvari and Pathan money lender does not apprecially exist in Malabar due to the existence of these Banks

2. These Private Banks now fall within the purview of the Pawn Brokers Act of 1943 which is notified to come into force in Malabar from 5-8-47

3. The said act was passed by the then advisery Government when no legislative Assembly functioned. The people or their representatives were not consulted. The Act was seemingly passed in haste to release some military personals from the clutches of usurers in big cities. The manner in which these Private Banks were functioning had never called for legislative interference. The fact that the Act was not originally extended to this district makes it evident. It will be agreed that uncalled for interference by the Government in the ordinary economic life of the people will upset public economy and occasion injury and suffering to the classes concerned, with no compensating advantages to the country at large. It is therefore expected of the Government as at present constituted that they will further enquire whether the extension of the Act to the District of Malabar is called for in the interest of the people.

auction. If in spite of all these intimations the party still refuses to pay interest we notify the date of auction in a local newspaper and sell the jewels in public auction. Such sale is effected normally after 2 years. If as a result of public auction the jewels fetches more than the amount due from the party, that surplus amount is kept in suspense in sales proceeds account and will be paid to the party and hence we can ~~kmdix~~ boldly submit that there was no complaint against us so far from any source. We do not purchase or sell any commodity whatsoever.

The provision in Sec: 6 for a maximum rate of 6¼ for all advances above Rs.25, will lead these banks to close their business The large volume of business done by these Banks is for sums below Rs.100/-. The ~~rate~~x o interest generally charged on these amounts is 12% which is called 'Maryada Palisa' (fair rates of interest) and is never considered oppressive. Without at least 12% the business cannot be carried on because (1) a regular office has to be maintained ~~xhxix~~ which will cost above Rs.200/- a month and (2) these private bankers of Malabar are not a capitalist class as is misunderstood by some. We take jewels on pledge and repledge them in bigger Banks of-course with the expressed permission of the borrower. We get money from them on rates of interest ranging from 6 to 8¼ % and advance to our parties on a maximum of 12 % interest. The Big Banks take jewels on repledge after scrutinizing our records and satisfying themselves of our every item taking special care to see that we do not take a rupee more than our advance amount. In the event of our failure the pawner can directly redeem from the bigger banks. Thus the interest of the pawner is sufficiently fortified. This system so scientifically arranged is in ~~x~~ vogue only in Malabar. Thus it is clear we get only a small margin of profit in our business and we make both ends meet by the large volume of outturn. We cannot blame the bigger banks for charging this rate of interest in view of the risk, labour and worry involved in the business There is really no justification to impose 6¼ % on the Pawn Broker while money lending registered companies are permitted 9 3/8 %. Legislative restrictions which the vicious will evade but will certainly hit law-abiding and respectable classes must be condemned on all hands.

winding up their business. Already some of these Banks have notified the sale of all the pawned jewels they hold after the time limitx. The pawners will find themselves unable to redeem. The result will be that the small stock of security in gold which a considerable number of poor people possess will be lost to them. In the present money market which is every day becoming tighter, they will reach the hands of the bullion merchant and find their way outside the district. It will be a sure method of impoverishing the poor district.

10. It is undoubtedly bad policy to enforce the Pawn Brokers Act in such a way as to stop every fair business of money lending on pledge particulary so when the poor classes have no means of easy credit open to them to tide over their occasional pecuniary difficulties.

11. Now we may be permitted to submit how this act affects the poor who form the majority of those who avail these small banks spread over the whole of Malabar. We advance a minimum of even one rupee as loan whereas the sceduled bank is Rs.50/- besides they are not interested in this branch of banking as they are busy with other activities. This helps the poor considerably in these days when nothing can be obtained on credit. We find several of our customers hard-pressed for cash, coming to our banks with their small ornaments on their way to ration shop. This helps the poor labouring class who have no security of employments.

12. If they system is stopped the village economy will be effected considerably and the entire village economic structure will crumble down. In Malabar, where the village system as is found in other parts of the province is not in existence and where people live in isolated houses spread over the whole district. This system of petty banking renders very great help to the villages. In a taluk of 100 or more villages scheduled Banks exists only in the Tank headquarters that is to say within a radies of 15 to 20 miles. If a villager wants to pledge his jewels for some emergency, he has to walk 15 or 20 miles, lose his labour for 1 day and repeat the same course on the day of redemption also. More of villages are not connected by bus or any other transport facility.

13. Even in towns the salaried classes are benefited considerably by this banking system. This saves them from the clutches of Pathans. ~~This saves them fr~~. In Madras and such other cities and even in Calicut, Pathans advance loan to salaried people on exhorbitant rate of interest. If a party requires Rs.50/- he has to execute a promissary note four double the amount. They take interest in advance at the rate of 2 annas per rupee per month. On the 1st of every month he waits at the office gate to pounce upon the party to realise the amount. In our case for a similar loan we take only 2 pies and that too on the date of redemption. Our system help such needy parties without any such harassing hardships or humiliation.

14. As for our part, we have been doing this business for the last several years and the best part of our life was spent in this line. We cannot take to any other business or profession at this part of our life. In our

Bank, we employ clerks, cashiers and peons. All of them including ourselves will be thrown out of employment.

It is therefore prayed that the extension of the Act to this district may be withdrawn. If the Government cannot find its way to withdrawing these orders we may be permitted to suggest as a last alternative to exempt private Banks who advance loan purely on gold from the provision of this Act.

Your obedient servant,
Sd. [illegible]

GOVERNMENT OF MADRAS
ABSTRACT.

ACTS AND RULES - Madras Pawn-brokers Act, 1943 - Suggestions to amend the Act - Orders passed.
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